

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Right Step Academy of
Excellence Charter School**
Baton Rouge, Louisiana

October 8, 2003



Investigative Audit

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

Senator J. “Tom” Schedler, Chairman
Representative Edwin R. Murray, Vice Chairman

Senator Robert J. Barham
Senator Lynn B. Dean
Senator Jon D. Johnson
Senator Willie L. Mount
Representative Rick Farrar
Representative Victor T. Stelly
Representative T. Taylor Townsend
Representative Warren J. Triche, Jr.

DIRECTOR OF INVESTIGATIVE AUDIT

Daryl G. Purpera, CPA, CFE

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Thirty-eight copies of this public document were produced at an approximate cost of \$89.30. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne “Skip” Irwin, Director of Administration, at 225/339-3800.

Table of Contents

	Page
Executive Summary	1
Background and Methodology.....	3
Finding	5
Recommendations.....	11
Management’s Response	Attachment I



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

October 8, 2003

**MS. WEEGIE PEABODY, EXECUTIVE DIRECTOR,
AND MEMBERS OF THE LOUISIANA STATE
BOARD OF ELEMENTARY AND SECONDARY
EDUCATION**

Baton Rouge, Louisiana

Transmitted herewith is our investigative report on the Right Step Academy of Excellence Charter School. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our finding and recommendations as well as your response. Copies of this report have been delivered to former board members of Right Step Academy; the Louisiana State Board of Elementary and Secondary Education; the Honorable Paul J. Carmouche, District Attorney for the First Judicial District of Louisiana; and others as required by state law.

Respectfully submitted,

Grover C. Austin, CPA
First Assistant Legislative Auditor

SDP:EKL:DGP:dl

[BESE03]

Executive Summary

Investigative Audit Report Right Step Academy of Excellence Charter School

Background (*See page 3.*)

The Louisiana State Board of Elementary and Secondary Education (BESE) was established as a constitutional body during the 1973 Constitutional Convention. The board is composed of 11 members; eight members are elected from BESE districts and three members at-large are appointed by the governor. One of BESE's duties is to administer the state's Charter Schools Program.

The Right Step Academy of Excellence (Right Step) was created pursuant to Louisiana Revised Statute (R.S.) 17:3972 to encourage different and innovative teaching methods. Right Step's charter was submitted for approval through the nonprofit corporation Sound Productions Unlimited. Mr. Ronnie K. Banks, Jr., and Mr. Ronnie K. Banks, Sr., incorporated Sound Productions Unlimited on December 7, 1981. On August 27, 1998, BESE granted a charter to Right Step. Right Step was created with a three-member board. Mr. Carlton Smith and Mr. Lamar Miles were board members from inception and Ms. Ivy Woodard-Latin joined at the end of the first school year. The board appointed Mr. Ronnie K. Banks, Sr., as headmaster to oversee the daily operations of the school.

BESE funded Right Step by an initial allocation based upon an estimate of the number of students enrolled. Allocations were adjusted during the year to reflect actual pupil counts and actual prior year local revenue collections. The allocated funds were to be used to operate the school in accordance with an approved budget. If Right Step closed for any reason, the charter school was required by state law and by contract with BESE to return all equipment and cash that could be attributed to state or local funding to the state or to the local school district as appropriate.

Finding (*See page 5.*)

Mr. Ronnie K. Banks, Sr., headmaster of Right Step Academy, paid himself \$230,505 in salary, bonuses, and contract payments over a 34-month period. Neither his starting salary of \$52,000 nor five raises totaling \$35,167 were approved by the board. Mr. Banks also received a \$13,000

bonus nine months early. In addition, Mr. Banks was improperly reimbursed \$3,517 for questionable expenses. He also used school funds to pay lease payments of \$12,000 to a nonprofit corporation of which he was president and director and to pay family members \$82,315, including a \$6,456 improper payment to his wife after her resignation.

Recommendations (*See page 11.*)

BESE should provide monitoring of and guidance for charter school funds including the following:

- Ensure that at least one board member has business experience
- Prohibit the hiring of family members in violation of the nepotism law (R.S. 42:1119)
- Prohibit charter schools from contracting with entities owned by school officials or their immediate families
- Evaluate the possibility of initiating action against Mr. Banks to recover salaries, bonuses, undocumented expense reimbursements, and copier lease payments to the extent that these payments were not authorized and/or appropriate
- Require charter schools to prepare and submit detailed budgets to BESE indicating the compensation for the headmaster and other key personnel
- Provide written guidance on documenting expenses
- Follow up on annual financial reports to ensure that findings are properly addressed
- Conduct annual inspections to ensure that the atmosphere is conducive to learning and that proper academic and financial records are being maintained

Management's Response (*See Attachment I.*)

Management does not dispute the findings made by the Office of the Legislative Auditor and agrees with the recommendations in the report. Many of the recommendations regard areas that BESE has previously examined and addressed or is now in the process of addressing via changes to the charter school program through policies, regulations, and legislation.

Background and Methodology

The Louisiana State Board of Elementary and Secondary Education (BESE) was established as a constitutional body during the 1973 Constitutional Convention. The board is composed of 11 members; eight members are elected from BESE districts and three members at-large are appointed by the governor. One of BESE's duties is to administer the state's Charter Schools Program.

The Right Step Academy of Excellence (Right Step) was created pursuant to Louisiana Revised Statute (R.S.) 17:3972 to encourage different and innovative teaching methods. Right Step's charter was submitted for approval through the nonprofit corporation Sound Productions Unlimited. Mr. Ronnie K. Banks, Jr., and Mr. Ronnie K. Banks, Sr., incorporated Sound Productions Unlimited on December 7, 1981. On August 27, 1998, BESE granted a charter to Right Step. Right Step was created with a three-member board. Mr. Carlton Smith and Mr. Lamar Miles were board members from inception and Ms. Ivy Woodard-Latin joined at the end of the first school year. The board appointed Mr. Ronnie K. Banks, Sr., as headmaster to oversee the daily operations of the school.

BESE funded Right Step by an initial allocation based upon an estimate of the number of students enrolled. Allocations were adjusted during the year to reflect actual pupil counts and actual prior year local revenue collections. The allocated funds were to be used to operate the school in accordance with an approved budget. If Right Step closed for any reason, the charter school was required by state law¹ and by contract with BESE to return all equipment and cash that can be attributed to state or local funding to the state or to the local school district as appropriate.

The legislative auditor received information of possible improprieties involving Right Step. The procedures performed during this investigative audit consisted of (1) interviewing former Right Step employees and board members; (2) interviewing other persons as appropriate; (3) examining selected Right Step records; (4) performing analytical tests; and (5) reviewing applicable state laws and regulations.

¹ R.S. 17:3995 E provides in part that if any school fails to open and serve pupils or closes for any reason, the charter school shall refund all equipment and cash on hand which can be attributed to state or local funding to the state or the local school district as appropriate.

Finding

Mr. Ronnie K. Banks, Sr., headmaster of Right Step Academy, paid himself \$230,505 in salary, bonuses, and contract payments over a 34-month period. Neither his starting salary of \$52,000 nor five raises totaling \$35,167 were approved by the board. Mr. Banks also received a \$13,000 bonus nine months early. In addition, Mr. Banks was improperly reimbursed \$3,517 for questionable expenses. He also used school funds to pay lease payments of \$12,000 to a nonprofit corporation of which he was president and director and to pay family members \$82,315, including a \$6,456 improper payment to his wife after her resignation.

The Board of Elementary and Secondary Education (BESE) granted a charter to the Right Step Academy of Excellence (Right Step) on August 27, 1998, effective for the 1999-2000 school year. Mr. Ronnie K. Banks, Sr., was Right Step's headmaster. In August 2002, BESE revoked Right Step's charter. BESE paid Right Step \$1,075,000 over a 34-month period.

The funds paid to Right Step represented an initial allocation based on an estimate of the number of pupils. The allocations are adjusted for actual pupil counts. When Right Step closed, it was required by state law and by contract with BESE to return all cash on hand and physical assets to BESE.

Mr. Banks' Compensation

From August 1999 through July 2002, Mr. Banks paid himself \$230,505 in salary, bonuses, and contract payments. From a starting annual salary of \$52,000, Mr. Banks increased his salary five times to \$90,000 per year. Neither Mr. Banks' starting salary nor \$35,167 in raises was ever authorized by the board. Four of the raises occurred over a six-month period.

<u>Dates</u>	<u>Gross Amount</u>	<u>Monthly Salary</u>	<u>Gross Monthly Increase</u>	<u>Increase Percent</u>	<u>Unauthorized Increase</u>
July 1999 - August 2000	\$60,667	\$4,333	n/a	n/a	n/a
September 2000 - August 2001	55,000	4,583	250	5.8%	\$3,000
September 2001 - October 2001	9,667	4,833	250	5.5%	1,000
November 2001 - December 2001	10,633	5,317	484	10.0%	1,967
January 2002	5,833	5,833	516	9.7%	1,500
February 2002 - July 2002	45,000	7,500	1,667	28.6%	19,000
February 2002	8,700				8,700
Totals	<u>\$195,500</u>				<u>\$35,167</u>

In September 2000, Mr. Banks' monthly salary increased from \$4,333 to \$4,583 per month or approximately 5.8%. There are no board minutes to support the increase.

In September 2001, Mr. Banks' salary increased from \$4,583 to \$4,833 per month or approximately 5.5%. His salary increased another 10% to \$5,317 in November 2001. Mr. Banks' salary was increased 9.7% in January 2002. In February 2002, Mr. Banks' monthly salary was increased to \$7,500 retroactive to October 2001. Thus, in February 2002, Mr. Banks was paid \$7,500 in salary and \$8,700 for a retroactive increase.

Mr. Banks received four raises in a six-month period. The board minutes do not address the first three raises. In February 2002, the pay raise was applied retroactively to October 2001. Board minutes dated November 2, 2001, state in part:

. . . A motion was made by Lamar Miles that Dr. Banks become the Superintendent rather than the Headmaster and that his annual salary effective October 2002 (sic) pay period, be increased to \$90,000 annually . . .

According to the minutes, Ms. Ivy Woodard-Latin, Mr. Carlton Smith, and Mr. Lamar Miles were the board members present at the November 2001 meeting.

- Ms. Woodard-Latin stated that she has never voted on any increase in salary for Mr. Banks and had no idea of what Mr. Banks' salary was.
- Mr. Miles stated that he did not make a motion to increase Mr. Banks' salary to \$90,000. He also stated that Mr. Banks asked him to approve the salary increase after the fact.
- Mr. Smith stated that he remembered Mr. Banks making the case as to why he needed the raise, but he could not remember if it was in a board meeting or in a personal conversation with Mr. Banks.

Mr. Banks' \$12,000 Bonus

The September 18, 1999, board minutes stated in part:

. . . Carlton Smith made the motion that as an incentive the Headmaster shall be entitled, at the end of the 1999-2000 school year, to a bonus in the amount of \$12,000 if either or both goals were accomplished during the 1999-2000 school year:

- A. Student enrollment of at least 100 by October 1, 1999;*
- B. By June 30, 2000 Right Step Academy has a budget surplus.*

The motion was seconded by LaMar Miles and the Board voted and approved the motion . . .

Though Right Step reported to BESE that its enrollment was 102 students for the 1999-2000 school year, only 72 students were actually enrolled. As a result of the overstated enrollment, BESE overpaid Right Step by \$172,170. Had BESE not paid the \$172,170, Right Step would not have had a budget surplus by June 2000. Therefore, Right Step did not have enrollment of 100 nor a budget surplus and Mr. Banks was not entitled to his bonus.

Mr. Banks' \$13,000 Bonus

When the overpayment was discovered, BESE recovered the overpayment by reducing future payments to Right Step. Despite Mr. Banks' statement to BESE that paying back the \$172,170 would close Right Step's doors, Mr. Banks accepted the \$12,000 performance bonus. Mr. Banks stated that he was entitled to the bonus, because Right Step had a surplus in June 2000.

We determined that there are two sets of identical board minutes dated June 24, 2001, and the second dated October 3, 2001. Both board minutes state that Mr. Banks would be entitled to a \$13,000 bonus at the end of the 2001-2002 school year. Mr. Banks received the \$13,000 bonus on a check dated August 7, 2001, nine months before the end of the school year.

Ms. Woodard-Latin stated that she did not attend any meetings where a bonus for Mr. Banks was discussed. Mr. Miles stated that he was asked to approve the bonus after it had already been paid. Mr. Smith stated that he could only recall approving one bonus for \$12,000.

Improper Reimbursements

Mr. Banks was improperly reimbursed \$3,517 for questionable expenses. Of this amount, he was reimbursed \$655 for charges to Right Step's American Express card paid by Right Step, \$2,413 for charges not adequately documented, and \$570 for law seminars.

\$655 Paid to Mr. Banks Improperly

On June 5, 2001, Mr. Banks charged \$1,008 to Right Step's American Express card for four airline tickets for Mr. Banks, his wife, and two children. In addition, Mr. Banks received a \$504 Right Step check dated June 6, 2001, for two airline tickets. The documentation for this reimbursement indicated that the tickets were charged to Right Step's American Express card. Thus Mr. Banks received a total value of \$1,512, the equivalent of six airline tickets. By his personal check dated July 13, 2001, Mr. Banks reimbursed Right Step \$504 for two airline tickets resulting in Mr. Banks receiving four airline tickets paid for by Right Step. Mr. Banks offered no explanation as to why he was personally reimbursed for tickets charged on Right Step's American Express card. The remaining \$151 consisted of six miscellaneous gasoline and food charges to the card that were also improperly reimbursed to Mr. Banks.

\$2,292 in Payments to Mr. Banks Not Documented

A \$611 check dated March 16, 2000, was paid to Mr. Banks for a trip to recruit faculty. There were no receipts attached or any indication of where Mr. Banks traveled. One of the charges was for 811 miles (no odometer readings) at 28 cents per mile or \$227. The second charge was for four room nights at \$70 per night for a total of \$280 with no receipt. The third charge was for four breakfasts, lunches, and dinners for a total of \$104. There were no receipts and no indication of departure time or return time.

Mr. Banks was paid \$572.12 by a check dated April 18, 2000. A note on the check indicates that it is an expense allowance; however, a note on the check request form identifies the payment as an allowance for performance. Mr. Banks stated that their (his and the board's) understanding of the expense allowance was that it was given as an incentive more or less, but they were told later by their accountant that their method was improper. Despite being notified that the transaction was improper, Mr. Banks did not return the money. Ms. Woodard-Latin stated that she was not aware of Mr. Banks' compensation, and it was not discussed at any board meetings she attended. Mr. Smith stated that he did recall an expense allowance for Mr. Banks, but he assumed that expense allowance payments would be backed up with receipts.

A \$500 check dated October 26, 2000, reimbursed Mr. Banks for conference expenses in Washington, D.C. The supporting documentation includes two receipts, one for a \$25 cab fare and the other for telephone charges at the hotel totaling \$92. There is no documentation for the remaining \$383. On October 10, 2000, Right Step prepaid the hotel with an \$810 check. Thus, Mr. Banks received \$383 for which no documentation is included.

Another \$500 check dated November 15, 2000, also reimbursed Mr. Banks for conference expenses in Washington, D.C. Receipts used for backup total \$136. There is no documentation for the remaining \$364.

\$570 Paid to Mr. Banks to Attend Law Seminars

Over a two-year period, Right Step paid a total of \$570 for Mr. Banks to attend law seminars at LSU. Mr. Banks, an attorney, stated that since he provided legal representation to the school and did not get paid for those services, he should be reimbursed for attending the law seminars. Mr. Banks gave no specifics regarding the legal services he provided. In addition, there is no reference to such an arrangement in the board minutes.

Copier Machine Rental

Right Step leased a Xerox 5018 copier from Cathedral of Praise, a nonprofit religious corporation of which Mr. Banks was president, director, incorporator, and registered agent. Initially, the lease was \$300 per month but was increased to \$400 per month after the first year. Right Step paid Cathedral of Praise \$12,000 over a three-year period. Also, Right Step paid \$1,309 directly to Xerox for a maintenance agreement on the Xerox 5018 copier over the same three-year period.

According to a Xerox sales representative, Cathedral of Praise originally purchased the copier in January 1993. He stated that it prints 18 black and white pages per minute and staples pages. He also stated that \$300 or \$400 per month was higher than market to lease that copier when a 5820 digital copier printing 20 pages per minute can be leased for \$99 per month for a 60-month lease and can be purchased for a dollar at the end of the lease period. By comparison, Right Step also

leased a Ricoh 1035P Copier for \$199.60 per month. The Ricoh 1035P Copier copies 35 pages per minute and has faxing, LAN-faxing, and scanning capabilities.

The original contract dated June 1, 1999, was signed by Mr. Carlton Smith representing Right Step (lessee) and Ms. Leshekia Ary (lessor). Ms. Ary was a former student at Right Step and not a representative of Cathedral of Praise. On June 22, 2000, the contract was extended and the monthly rent increased from \$300 to \$400 per month. The extension is signed by Mr. Smith for Right Step, but no one signed for Cathedral of Praise.

June 1, 1999

LEASE TERMS AND CONDITIONS

The following terms and conditions stated herein and on the attached document relate to term lease contained on the Customer's Copy.

Cathedral Of Praise herein referred to as "Lessor" hereby leases unto Right Step Academy of Excellence herein referred to as "Lessee" on a school year basis and the rent is payable monthly in the amount of \$300.00 to commence July 1, 1999 and end on June 15, 2000.

The consideration is payable the final day in each month.

The object of this lease is one Xerox 5018 copier that is in working condition.

Former Student

Witness _____

Witness _____

Carlton Smith
Representative of Lessee

Leshekia Ary
Representative of Lessor

June 22, 2000

Please type

LEASE TERMS AND CONDITIONS

The following are terms and conditions stated herein regarding this lease. Cathedral of Praise herein referred to as "Lessor" hereby leases unto Right Step Academy of Excellence referred to as "Lessee" one Xerox 5018 Copier at \$400.00 monthly beginning July 1, ~~2000~~²⁰⁰¹ with the first payment being due on July 1, 2000~~0~~ and the 1st of each month thereafter and said lease shall end June 30, ~~2001~~²⁰⁰².

No Lessor Signature

Carlton Smith
Lessee for RSAE

Lessor for Cathedral of Praise

Mr. Banks was the president, director, registered agent, and an incorporator of Cathedral of Praise. According to Ms. Barbara Coleman and Ms. Jeniece Simon, two former employees, lease payments to Cathedral of Praise were never mailed but rather hand delivered to Mr. Banks.

Mr. Banks stated that he was the organizer of Cathedral of Praise, but he was not receiving a salary during the time the copier was leased. He also stated that his auditors told him that as long as he was not receiving a salary from Cathedral of Praise it was permissible to lease a copier from Cathedral of Praise. The audit report dated November 13, 2001, stated that the Superintendent of Right Step (Mr. Banks) engaged in a related party transaction with Cathedral of Praise, because he is the registered agent and officer of Cathedral of Praise. The report also stated that his immediate family members are also agents of Cathedral of Praise.

Family Members' Salaries

Over a three-year period, Right Step paid Mr. Banks' family members \$82,315. Ms. Cheryl Banks, his wife, was paid \$70,289 and his sons, Ronnie Jr., and Reginald, were paid \$388 and \$11,638, respectively. Ms. Banks was the special assistant to the headmaster and Director of Parental Involvement. Mr. Ronnie K. Banks, Jr., worked as the security coordinator, and Mr. Reginald Banks was "like a handy man."

Ms. Banks received two salary increases totaling \$2,000 without board approval. In addition, Ms. Banks was paid beyond her termination date. Though board minutes document that Ms. Banks resignation was effective January 31, 2002, she was paid her regular salary plus an adjustment for February. According to Mr. Bob Matthews, former accountant for Right Step, this was done because she was a nine-month employee paid over 12 months. However, Ms. Banks was a 12-month employee paid over 12 months and was not entitled to her February salary nor any adjustment. As a result, Ms. Banks was overpaid a total of \$8,456, which included \$2,000 in raises without board approval, \$2,167 in salary after termination, and \$4,289 in adjustments.

According to Mr. Banks, Right Step's first audit report dated January 11, 2001, did not state that there were any problems with having his wife and sons working at the school. However, a review of that report disclosed that it recommended that management for the school review the Code of Ethics law for public school officials and employees. The second report, dated November 13, 2001, stated:

Various state statutes exist which may apply to the Academy such as the Code of Ethics Law for Public Officials and Employees and the Fiscal Agency and Cash Management Laws. The Academy should review these laws and obtain assistance from legal counsel or government agencies to determine if either of these laws apply.

Though BESE notified Mr. Banks in January 2001 that employing family members was an ethics violation, he continued to employ his son through January 2002 and his wife through February 2002.

Recommendations

BESE should provide monitoring of and guidance for charter school funds including the following:

- Ensure that at least one board member has business experience
- Prohibit the hiring of family members in violation of the nepotism law (R.S. 42:1119)
- Prohibit charter schools from contracting with entities owned by school officials or their immediate families
- Evaluate the possibility of initiating action against Mr. Banks to recover salaries, bonuses, undocumented expense reimbursements, and copier lease payments to the extent that these payments were not authorized and/or appropriate
- Require charter schools to prepare and submit detailed budgets to BESE indicating the compensation for the headmaster and other key personnel
- Provide written guidance on documenting expenses
- Follow up on annual financial reports to ensure that findings are properly addressed
- Conduct annual inspections to ensure that the atmosphere is conducive to learning and that proper academic and financial records are being maintained

This report has been provided to the district attorney for the First Judicial District.² The actual determination as to whether an individual is subject to formal charge is at the discretion of the district attorney.

² R.S. 14:67 provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

Attachment I

Management's Response



BESE

Louisiana State Board of Elementary and Secondary Education

October 1, 2003

Donna Contois
1st BESE District

Keith Johnson
2nd BESE District

Glenny Lee Buquet
3rd BESE District

Walter Lee
4th BESE District

James Stafford, Ed.D
5th BESE District

Richard Musemeche, Ed.D
6th BESE District

Dale Bayard
7th BESE District

Linda Johnson
8th BESE District

Gerald Dill
Member-at-Large

Leslie Jacobs
Member-at-Large

Paul Pastorek
Member-at-Large

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of the Legislative Auditor
Post Office Box 949397
Baton Rouge, Louisiana 70804-9397

RE: Investigative Audit Report
Right Step Academy of Excellence Charter School

Dear Mr. Austin:

Please accept this letter as management's response to the draft report by your investigative audit unit regarding Right Step Academy of Excellence Charter School in Caddo Parish. On behalf of the Board of Elementary and Secondary Education (BESE), I would like to thank you for allowing representatives of BESE to have input during your investigation and for this chance to respond.

We do not dispute the findings made by your office, and we agree with the recommendations in the report. Many of the recommendations regard areas that BESE has previously examined and addressed or is now in the process of addressing via changes to the charter school program through policies, regulations, and legislation.

To properly frame the basis for our responses to your report, we offer the following general information, which is followed by our specific responses to your recommendations.

The charter school law (R.S. 17:3971-4001) clearly states the Legislature's intent to "authorize the experimentation.....by authorizing the creation of innovative kinds of public schools." Further, the law provides that there should be "a mechanism by which experiment results can be analyzed, the positive results repeated or replicated, and the negative results identified and eliminated."

The original charter school law was enacted in 1995. It was only after the law was amended in 1997 that it became a key reform initiative of the current administration. The statute was also amended to provide for the creation of BESE-chartered Type 2 and Type 4 charter schools. Guidelines were subsequently drafted and adopted by BESE for the administration of this initiative.

Since that time, considerable efforts have been made to strengthen the program. The law was amended in 1999, in 2001, and again in 2003 – each time with BESE advocating for adoption of the needed reforms. BESE's charter school guidelines have

Weegle Peabody
Executive Director
(225) 342-5840

Cecil J. Picard
Superintendent of Education
(225) 342-3602

been updated annually, fiscal oversight procedures have been developed and implemented, and the application/approval process is currently being revised and strengthened.

In June 2003, BESE approved a completely new charter agreement (contract) that was developed in consultation with the Attorney General's Office and the Legislative Auditor's General Counsel. This new charter agreement contains many clauses and stipulations that address several of the concerns outlined in the audit of Right Step Academy. Most notably, the new agreement stipulates that:

- ☛ the charter operator must provide proof that their non-profit corporation has been properly formed and is in good standing with the Louisiana Secretary of State;
- ☛ the charter operator must provide affirmation that the non-profit corporation has a governing board of directors;
- ☛ the charter operator must provide assurances that they will manage the school in a financially prudent manner;
- ☛ the charter operator must provide assurances that the non-profit board is responsible for all aspects of the operation of the charter school;
- ☛ the State Board (BESE) maintains the authority to impose fiscal and funding conditions upon the charter school, including the authority to withhold funds for due cause;
- ☛ the charter operator must follow a strict notification process when requesting changes to the charter agreement;
- ☛ all substantial changes to the approved school require an amendment to the charter agreement which must be submitted by way of a written notice and is only effective upon BESE approval;
- ☛ the state reserves the right and authority to revoke a charter, following the provisions of the charter school law;
- ☛ the charter operator shall allow state and federal authorities to conduct site visits at any time;
- ☛ the charter operator's governing board and/or employees shall attend all training sessions required by BESE or the La. Department of Education;
- ☛ the charter operator shall comply with the Local Government Budget Act and shall retain a CPA to validate certain financial and programmatic reports; and
- ☛ the charter operator must provide the required criminal history review of each employee of the charter school.

More specific to the case of Right Step Academy, it should be noted that the state's charter school law mandates that the initial charter agreement shall run for a period of five (5) years, with the opportunity for the chartering authority to review the performance of the charter school at the end of its third year. Upon the conclusion of its third year, if the school is achieving its stated goals and objectives pursuant to its approved charter, the charter shall be extended for the additional two (2) years remaining in its original charter. State statute provides a very finite list of reasons that the chartering authority may use in order to revoke a charter, quoted here from R.S. 17:3992.C.:

“A school charter may be revoked by the authority that approved its charter upon a determination by an affirmative vote of.....a majority of the members of the State Board of Elementary and Secondary Education,.....that the charter school or its officers or employees did any of the following:

- (1) Committed a material violation of any of the conditions, standards, or procedures provided for in the approved charter.
- (2) Failed to meet or pursue within the agreed timelines any of the academic and other educational results specified in the approved charter.
- (3) Failed to meet generally accepted accounting standards of fiscal management.
- (4) Violated any provision of law applicable to a charter school, its officers, or employees.”

Right Step Academy of Excellence Charter School was approved by BESE as a Type 2 charter school in August 1998. It operated as an independent public charter school for the first three (3) years (1999-2002) of its five-year charter, as envisioned by the enabling legislation. At the end of that three-year period, it was the proactive review and reporting process combining the efforts of BESE staff, LDE staff, and the evaluation team from Nicholls State University that led to the recommendation in July 2002 that BESE should revoke the charter for failure to meet academic results specified in the charter.

Upon hearing all evidence collected, and providing Right Step Academy with due process, BESE acted in August 2002 to revoke the charter of Right Step Academy for the following reasons:

- a. failure to submit any significant self-evaluation data or narrative to the BESE office, as required, as part of the third-year self-evaluation;
- b. failure to submit to the BESE office, as required, copies of progress reports issued to parents, to the community, and to the state as part of the third-year self-evaluation;
- c. failure to submit to the BESE office, as required, reports of the school staff attendance at workshops and training sessions offered by BESE and/or the Department of Education as part of the third-year self-evaluation;
- d. failure to comply with the 75% teacher certification requirement; (Teacher certification rates varied throughout each of the three years from 50% to 100%.)
- e. failure to respond to repeated requests from the Division of Special Populations for information needed to finalize approval for FY 01-02 IDEA funds;
- f. failure to submit evidence of full student participation in pre- and post-testing;
- g. the inability to draw valid conclusions regarding student academic growth and performance due to Right Step Academy’s enrollment problems and insufficient matched data; and
- h. failure to provide summer remediation for approximately eleven “8.5” students at their school, and failure to arrange for testing of those students. (Some of these students were able to attend some days of remediation at Caddo Parish schools.)

With regard to the recommendations contained in your report, we respond as follows:

1. Ensure that at least one board member has business experience

Currently, the charter school application guidelines require each sponsoring organization to demonstrate the ability to operate a sound financial program. As of 2002, the charter school application review committee has focused on this requirement in the review of the qualifications of the non-profit corporation board members as reflected in their application and personal interviews with the applicants. Thus, it is now our practice, during the interviews between the Charter School Proposal Review Committee and the board of directors of the applying non-profit, for those board members to demonstrate their management, financial, and instructional capacity to open and operate a charter school.

Additionally, the charter school guidelines will be further revised to require yearly submissions of educational and professional resumes on every non-profit board member, which will allow for continued tracking of members in the event of changes in membership on the board of directors.

2. Prohibit the hiring of family members in violation of the nepotism law (R.S. 42:1119)

In consultation with the State Board of Ethics, BESE urged the drafting of Act 381 of the 2003 Regular Legislative Session, which addresses several issues regarding nepotism. In Act 381, the Legislature added the Code of Ethics to the list of statutes charter schools are subject to follow. Act 381 prohibits charter schools from employing, in any manner, any member of their governing or management board. In addition, Act 381 establishes that not more than twenty percent of the members of any governing or management board of a charter school shall be members of the same immediate family, as defined in LA-R.S. 42:1102(13). BESE notified all charter schools of these changes by letter on August 7, 2003. BESE has confirmed with the State Board of Ethics that, effective for the 2003-04 school year, charter schools will be required to complete the annual disclosure statements for immediate family members, which is required of all local education agencies.

3. Prohibit charter schools from contracting with entities owned by school officials or their immediate family

Such "related parties" contractual arrangements are prohibited by the Code of Ethics. Now that charter schools are statutorily subject to the Code of Ethics, BESE will require an initial assurance and an annual certification by the non-profit corporation's board of directors of compliance with such provisions. In addition, employees of the charter

school will also be required to sign an assurance that they have received a copy of the Code of Ethics and agree to be in compliance with the Code.

4. Initiate action against Mr. Banks to recover salaries, bonuses, undocumented expense reimbursement, and copier lease payments to the extent that these payments were not authorized and/or appropriate

BESE staff is reviewing with the Attorney General's staff the Board's ability in this matter and the legal basis for recovery of funds from Mr. Banks. Upon a positive determination, BESE will proceed with the initiation of action against Mr. Banks. In addition, in April of 2003, BESE passed the following motion:

On motion of Mr. Johnson, seconded by Ms. Contois, the Board directed that in the case of future closures of a charter school, BESE shall, as a routine matter, refer the matter to the Legislative Auditor, the Louisiana State Police, the local sheriff's office and/or the local district attorney's office.

Further, BESE and the Department of Education will explore the possibility of barring Right Step Academy and/or its officers or key employees from conducting business with any state agency.

5. Require charter schools to prepare and submit detailed budgets to BESE indicating the compensation for the headmaster and other key personnel

In consultation with the Legislative Auditor's office, BESE urged the drafting of Act 991 of the 2001 Regular Legislative Session, which subjects charter schools to the Local Government Budget Act. This Act also required BESE to adopt rules and regulations for prescribing forms and practices for budgeting, accounting, and financial reporting, both interim and annual. Pursuant to this provision, BESE adopted fiscal oversight policies in August of 2001. These policies currently require the submission of detailed budgets, but will also be expanded to require the submission of detailed information in reference to the salary/compensation of all employees. In addition, BESE will require that Type 2 charter schools file a report detailing any salary increases granted to charter school employees. These reports must be accompanied by a copy of the minutes of the board meeting at which any salary increase was approved, reflecting the non-profit board's approval of each raise. These reports must be filed within 30 days of that board action.

6. Provide guidance on documenting expenses

The Department of Education staff will provide technical assistance to charter school board members and employees to educate them on the appropriate documentation that will be considered sufficient evidence to support the expenditure of state or federal funds for operation of the charter school and for proper reimbursement of travel or related expenses.

7. Follow-up on annual financial reports to ensure that findings are properly addressed

The Department of Education will obtain a copy of the independent audits prepared for each Type 2 Charter School as required by law. These reports will be reviewed to determine the existence of any findings. Appropriate program or fiscal staff within the Department or BESE will be notified of any findings identified and be given the responsibility to resolve them. The Department will provide oversight to ensure that all findings are resolved in a timely manner.

8. Conduct annual inspections to ensure that the atmosphere is conducive to learning and that proper academic and financial records are being maintained

Since 1999, BESE has contracted with Nicholls State University, College of Education to provide a team of education experts to visit each charter school and provide the schools with hands-on assistance with curriculum, testing, and replicable best practices in the education field, as well as to collect data and publish comparative evaluations of all of the charter schools operating in Louisiana.

This team visits each charter school to individually evaluate the educational environment and then makes recommendations and suggestions to the school's management team and board of directors to improve that environment. This evaluation team then produces an annual report on the condition of the charter schools. That report summarizes:

- ☛ characteristics of effective and ineffective charter schools;
- ☛ emerging problems detected within the charter schools; and
- ☛ a brief synopsis on each charter school, including general facts and pertinent data.

Additionally, the Louisiana Department of Education has included charter schools in its on-going offerings of seminars, workshops, and training sessions that provide all public schools with specialized technical assistance in all matters of school operations, such as curriculum, special education, student discipline, testing, accountability, attendance and data reporting, academic recordkeeping, school food service program, and grants management. The charter schools are urged, and in some cases mandated, to attend these technical assistance offerings.

Staff members from both BESE and the Louisiana Department of Education visit the charter schools throughout the year to inspect the school sites for proof of compliance with mandated fire and safety regulations, local health codes, and various requirements of the numerous state and local funding sources that flow to the individual schools.

In addition to the steps outlined above, we will increase the number of these site visits and technical assistance offerings in order to provide more thorough inspections and to improve the quality of those hands-on interactions with the charter schools.

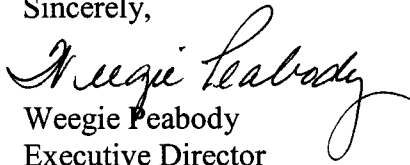
Beginning in FY 2003-04, the support provided by the Louisiana Department of Education in the administration and oversight of the Type 2 Charter schools has been strengthened with the addition of three positions specifically dedicated and funded to administer various aspects of the program:

- One (1) position is being added in the Division of Planning, Analysis and Information Resources to provide support for data collection and reporting activities;
- One (1) position is being added in the Division of Education Finance to provide support for financial/budget related activities; and
- One (1) position is being added in the Division of Education Finance to conduct on-site audit reviews to verify student counts and compliance with state procedures by the charter schools, that count being the primary driver of the Type 2 charter school funding mechanism.

In addition, the Department will continue to provide support throughout the various program areas through technical assistance and monitoring activities.

In conclusion, on behalf of myself and my staff, I would like to personally thank you for providing us with your advice in an on-going fashion over the last several years concerning the charter school initiative. With your assistance and with that of our legal counsel in the Attorney General's Office, the State Board of Elementary and Secondary Education has made progress in the administration of this program. We look forward to a continued collaboration that can result in the efficient and effective use of state dollars.

Sincerely,


Weegie Peabody
Executive Director

WP:KW:BS:GW

c: Mr. Paul Pastorek, President